

30.9773
Il 6r
~~1890~~
cop. 2

REPORT
of
Illinois Farm Commission
to
The Governor

DECEMBER 15, 1920



[Printed by authority of the State of Illinois.]

REPORT
of
Illinois Farm Commission
to
The Governor

Members of the commission:

CHARLES ADKINS, Springfield, *Chairman*,

C. V. GREGORY, Chicago,

HENRY L. WOOD, Sheffield,

HOWARD LEONARD, Eureka.

J. E. HARRIS, Bushnell.



SCHNEPP & BARNES, PRINTERS
SPRINGFIELD, ILL.
1920.

44128—3,000

30,3773
I 267

1920

cop. 2

To His Excellency, FRANK O. LOWDEN,
Governor of Illinois.

SIR:

The commission provided for by "*An Act to Create the Illinois Farm Commission, to Define its Powers and Duties and to make an Appropriation Therefor*", to investigate conditions in Illinois regarding the operation and leasing of Illinois farm lands, the growth of farm tenancy in this State, the maintenance of the fertility of the land, and such other questions as may bear upon the problem of crop production and profitable agriculture, beg leave to submit to Your Excellency the following report, as required by law.

Tenant farming is more prevalent in the central and northern parts of the State than elsewhere in Illinois. The richer and more productive the soil, the higher the percentage of farms operated by tenants. Statistics of 1910 show as high as 66 per cent of the farms in the northern and central sections operated by tenants as compared with only about 30 per cent in southern Illinois.

Public hearings were advertised and held by the commission at the following cities: Champaign, Danville, Watseka, El Paso, Galesburg, Princeton and Woodstock. Few tenants living under unfavorable conditions appeared at these hearings. They would naturally refrain from coming before the commission and telling of the bad conditions under which they were living, as in many cases such action on their part would terminate their leases, yet there was a fairly representative attendance of landlords and tenants of the better class at each meeting. They gave an apparently fair report of the conditions under which the land is farmed by both land owners and tenants in each locality.

MEETING AT CHAMPAIGN.

On February 23, 1920, a meeting was held at Champaign, attended by forty farmers. Most of the tenants who were heard had one-year leases, and the majority of them seemed to see no special advantage in long-term leases. This sentiment prevailed at other places. Most of the landlords and tenants took the ground, that where both parties were satisfied, a long term by the tenant naturally followed. On the other hand, if either party to a long-term lease became dissatisfied, it made a very unpleasant working condition between the two, which could not be terminated until the expiration of the lease.

Another idea brought out at all the hearings was that it was not safe for a tenant farmer with a limited amount of money to buy land at the present high prices. There were exceptions, some taking the position that a tenant stood as good a chance of becoming a land

owner at present high prices of farm products (which was in February, 1920) as he did when land and products were cheaper.

At Champaign, Watseka, Danville and El Paso, grain farming predominates. A start had been made in the use of clover, limestone and phosphate. The landlord generally furnishes one-half the clover seed, all the limestone and phosphate, and the tenant hauls them to the farm and puts them on. This is being done, however, only to a limited extent on rented farms. In these localities land is generally leased for one-half of all grain delivered at market and from \$6.00 to \$10.00 per acre for pasture. Some owners charged the tenant the above rent and a bonus of from \$1.00 to \$2.00 per acre, and occasionally as high as \$10.00 per acre, and some rented their land for two-fifths of the grain, but these terms were exceptions. Only a few rent on a cash basis. Generally speaking, very little is being done to maintain the soil, and in most cases the land is growing poorer, while tenancy is on the increase. According to the 1920 census, about 59 per cent of the farms in this section are operated by tenants, an increase of about 5 per cent in ten years. Land is selling at from \$300.00 to \$500.00 per acre.

Many of these farms are owned by absentee landlords who generally take little interest in maintaining their farms and in the community life. Where there is a large percentage of tenancy, it was learned, the land is not quite so productive, improvements are not so good, and there is less community spirit than is found where operation of farms by the owners is the rule.

MEETING AT GALESBURG.

On February 26 a meeting was held at Galesburg. Here we found a different system of farming. Most of the live stock in this State is fed between the Illinois and Mississippi rivers. A different system of leasing is followed, due to live stock farming. Here the landlord furnishes the land, one-half the live stock and one-half the seed, while the tenant furnishes work stock, labor, machinery, and one-half of live stock. Farm crops are fed to live stock and everything sold off of the farm is divided equally. The landlord maintains buildings and fences.

In this locality tenants have better farm improvements. One-year leases prevail, yet the tenants stay longer on the same farms than where grain farming is followed. Land is maintained better and is more productive because of the live stock farming. There are better churches, better schools, better community life, better satisfied tenants, and fewer absentee landlords. Most of those who expressed an opinion thought a man with \$10,000 and his equipment to run a quarter section of land would have a hard time paying for a 160 acre farm at present prices. A few were of the opinion that he could do it as easily as twenty years ago, if the prices for farm products were maintained. Corn then was about \$1.80 per bushel on the farm; it was about 50 cents per bushel on November 26, 1920.

At Princeton and elsewhere in that locality more live stock is raised than at Champaign, Watseka and El Paso, but less than at Galesburg. More land is rented for cash.

MEETING AT WOODSTOCK.

On February 28, 1920, the commission met at Woodstock. In this vicinity 45.9 per cent of the land is farmed by tenants. This is an increase of 3.6 per cent in ten years. Land is selling at from \$160.00 to \$300.00 per acre; dairy farming is followed for the most part. Not much phosphate is used. Land is rented on the partnership or cash rent basis. Cash rent is from \$8.00 to \$12.00 per acre. There is not much absentee landlordism. About 50 per cent of the farms are operated by the owners' sons. These young men said that if their fathers did not own the land they would go to the city, because they thought the opportunity to succeed there would be better than to start in as farm hands or tenant farmers in the hope of acquiring farms. Most of the land here was bought and sold by speculators. Some of the tenants declared that improvements, phosphate, etc., applied by the tenant, should be paid for by landlord if the tenant leaves the farm before reaping the benefit.

RECOMMENDATIONS.

It would seem from the above investigation made by your commission, that if we hope to maintain the fertility of our soil and our community life in the rural districts, to make farm life attractive enough to keep our best young people on the farms, to feed the present generation, and leave our soil so that it will feed future generations, it is necessary:

First, to discourage speculation in land, whereby land values are made higher than the producing power will justify. To accomplish this we would recommend a transfer tax of one per cent of selling price on all transfers made in less than one year after ownership is acquired, safeguarded with such provisions as will protect transfers other than speculative.

Second, with the large percentage of tenancy in this State, the tenant necessarily is an important factor in maintaining the soil, and he should be encouraged and protected in his efforts to do so. Therefore, your commission would recommend a "tenant's rights" law, properly safeguarding both the rights of the landlord and tenant, to encourage the tenant to build up the soil and the farm generally. This law should provide for reimbursement of the tenant, on the termination of his lease, for the improvements he puts on the land with the consent of the landlord. It should also protect the landlord against the unnecessary destruction of his property by a careless tenant. This would encourage both good landlords and good tenants.

Third, we recommend the Federal Farm Loan Bank as a sane plan to furnish long term credit on farm lands, and urge the enactment of necessary legislation to protect and promote second mortgage loans on farm lands.

Fourth, we recommend that an appropriation of \$25,000 be made to the Farm Management Department of the University of Illinois, for the purpose of making a farm tenancy survey.

CHARLES ADKINS,
C. V. GREGORY,
HENRY L. WOOD,
HOWARD LEONARD,
J. E. HARRIS.

Illinois Farm Commission.

Springfield, Illinois, December 15, 1920.

MEETING OF ILLINOIS FARM COMMISSION.

Held October 26, 1920.

Present—Charles Adkins, Chairman; C. V. Gregory and Howard Leanard, members of Commission; H. H. Parke, Assistant Director of Agriculture; B. H. Hibbard, Professor of Agricultural Economics, University of Wisconsin, College of Agriculture, Madison, Wis.; H. W. Danforth, President Federal Land Bank, St. Louis, Mo. and O. G. Lloyd, Head of Dept. of Farm Management, Agricultural Experiment Station, Purdue University, LaFayette, Ind.

Remarks by Mr. Hibbard and answers to questions made by him:

The subject of tenancy is one I have been studying for a long time. It is but a few years since real information on this question became available. The first Federal Census to include a report on tenancy was that of 1880. For years previous to that time we have only scattered information.

Tenancy is clearly one of the vital problems of the country. The prosperity of agriculture depends primarily upon the soil. It is very generally believed that no high grade agriculture can be developed on the basis of tenant occupancy. While this may not be wholly the case, it is beyond question that ownership of the farms on the part of the occupants, contributes not only to the general prosperity of the community but also to many other community characteristics which are just as important as financial prosperity. It is true that good results have been obtained in some places, notably England, and without occupying ownership. Nevertheless the case of England is an exception and moreover it has become increasingly probable during the past few years that even the English tenant system is on a shaky foundation.

In an attempt to explain tenancy it is necessary to note the price of land, the character of the agriculture and likewise the character of the people. As to the first point, it is beyond all doubt that tenancy follows high priced land very closely. From one end of the country to the other tenancy is most prevalent where land prices are highest, with, it is true, a few exceptions. The most pronounced correlation between high price of land and percentage of tenancy is to be found through the heart of the corn belt. It can be illustrated just as well, however, in the case of a single state, as Illinois. In the central and east-central parts of the State the price of land is the highest to be found over any similar area in the entire country. Within the counties of this area, the percentage of tenancy averaged over 50 per cent ten years ago. It seems to have gone still higher during the intervening years. In contrast with this the southern part of Illinois, not so favorably situated for producing corn or other

grain crops on a big scale, shows land values very much lower. Correspondingly the percentage of tenancy is hardly more than half as high as in the central part of the State. The price of land is lower per acre in southern Illinois and the farms are, at the same time, smaller in size, thus giving a distinctly lower figure as the total value. That tenancy is much lower in southern Illinois is apparently due to the type of agriculture carried on in these two sections respectively. In the central part of the State conditions are exceedingly favorable for the production of great fields of corn, handled for the most part by machinery. This appeals to the tenant who is always anxious to make a complete turnover within a given year. In the southern part of the State values are not so high; it is not so easy to produce one big crop and be ready to move on. The crops which are produced are of a more miscellaneous character.

Thus, for two reasons, tenancy is more prevalent on the better land: First, the tenant approves it since he has much greater hope of a favorable outcome during a given season. Second, the same man who might possibly farm as a tenant is much more likely to buy for himself where land is cheap and farms are small, than where they are large and dear.

The relation between tenancy and type of agriculture is well illustrated in connection with very many different crops. If, for example, we should pick out one hundred truck farms in the State of New Jersey, and find that on fifty of them potatoes are the predominating product and on the other fifty strawberries are in the lead, we would know, without looking at the figures, that the potato growers were in a large proportion tenants, and the strawberry growers, in nearly all cases, owners. The explanation in this case is obvious. The strawberries require attention over a period of years. The tenant, who has the prospect of moving at almost any time, is not disposed to put his efforts into such a project. On the other hand, he can grow a crop of potatoes, harvest and sell them, before the expiration of even the one year lease.

Coming back to Illinois, we might view the case from the same standpoint by choosing first a large group of farms on which corn and wheat are the leading crops; another group in which dairying, fruit, and many miscellaneous crops make up the products. It will be absolutely certain that tenancy will be very prevalent on the grain farms and by no means as prevalent on the farms of mixed type. An excellent example of the failure of tenancy to follow high prices are facts with respect to the citrus fruits of California, where from 96 to 98 per cent of all oranges and lemons are grown on owned farms. Conversely, a very high proportion of the wheat of the Palouse country is grown on rented land.

One of the main characteristics of tenancy at the present time is the short lease. Noting the results of short tenure, many of our friends have arrived at the conclusion that what we need is legislation prescribing a much longer lease. This appears to me the wrong way to attack the subject. What we ought to have is, unquestionably, long tenure. This, however, is essentially different from a long

lease. The long lease prescribes conditions and ties the two parties together. The conditions may change and one party or the other may have the best of reasons for wishing to make different arrangements. It is erroneously believed that leases in England are for the most part long. As a matter of fact, most English leases are for a single year. The tenure, however, is distinctly longer, it being a very usual thing for the same tenant to remain on a given farm for a lifetime. At one time the English had a large number of long leases but changing prices and other changing conditions led to their abandonment.

What we can learn from the English is a lesson pertaining to the right of the tenant to his own property in the form of improvements made upon the land. In the United States tenants accrue to the benefit of their landlords and their successors. In England the law gives the tenant the right to make certain improvements without the consent of the landlord, and certain others with the consent of the landlord, at the same time protecting him in the ownership of these improvements, even though the tenure be changed.

It is not an extremely difficult thing to calculate approximately the value of the unused portion of fertilizers. These, if applied by the tenant should still belong to him, but since they are incorporated with the soil, the only way in which he can realize upon this right is by a cash agreement. We have reached the point in American agriculture where many dollars worth of fertilizer must, from year to year, be applied to the land. It is notorious that tenants are not much interested in projects of this kind. One of the first things in the way of tenant reform, in which we ought to interest ourselves, is the security of the tenant in his right to the unexhausted values put into the land in the form of fertilizer.

Tenant right may well go further than to secure for the tenant a right to the unexhausted excess of applied fertilizer. No landlord should have a right to put a tenant upon a farm on which the fields are in a demoralized condition and the houses and other buildings unfit for occupancy. Where it is done, the tenant should have a right to make reasonable improvements and charge it against the property. Any movement in this direction will have to be made cautiously. Otherwise, there is danger that unscrupulous or unwise tenants will impose greatly upon the landlords. Nevertheless, the question is not beyond solution. A group of one's neighbors may always be relied upon as a safe jury by which to settle controversies of this kind.

In connection with the question of short or long tenancy, we must not forget that a large part of our American farm land is held speculatively. A remedy for this evil is not readily forthcoming. As long as land continues to go up in price and as long as we permit private ownership of the land, someone is likely to see in it future values. While such conditions maintain, farms are sure to sell at a speculative price somewhat beyond the price based on production. Care in granting credit will discourage speculation. Possibly some forms of taxation may likewise be used as a discouragement. But even so, we are almost sure to have lands held speculatively for many years yet.

to come. While this continues to be the case, land held speculatively will undoubtedly be rented and it will be rented on short time, or subject to sale. We might as well accept the fact and build our tenancy plans about it.

We are often asked what may be done with respect to the immense holdings, such as, for example, the Scully land. It seems to me that we would be justified in using the progressive plan of taxation. By putting a tax a little heavier on large holdings and still a little heavier on larger holdings, we could make it somewhat less desirable for men to build up great landed estates. In my own opinion, it would be wise to put the upper limit of the size of farms, before beginning the progressive tax, so high that substantially every efficient operator could go ahead with his plans without discouragement. The progressive tax will hit some men whom we do not particularly care to hit, but how to avoid it is a hard question. The landlord who is wise and fair, whose tenants are prosperous, may own five or ten thousand acres of land. The progressive tax will subtract from him at least some portion of his returns. The damage done in this way will probably be relatively small, whereas the good that would result by discouraging the great majority of landlords from accumulating land, running into the thousands of acres, would be very great.

QUESTIONS AND ANSWERS.

Q. Would you like to secure the consent of the landlord to improvements for which the tenant might claim compensation?

A. On this point, we shall need to exercise a good deal of caution. Probably it will result in a classification of improvements, much like the English plans, whereby the tenant may make certain improvements without the consent of the landlord but be required to obtain his consent for others.

Q. Would you permit the tenant to apply phosphorus to the land without the consent of the landlord?

A. This question is rather too technical to be answered at the present time, but in the main I would say that where it is a clear case that the land is genuinely in need of treatment of this kind, tenants should be permitted to make it without the landlord's consent. They should have the support of scientific investigations and the judgment of the owners of similar land.

Probably the creation of a tenant right such as we have been considering, would result in the immediate moving of a large number of tenants from the farms which they now occupy. This would not be an unmixed calamity. It would no doubt result in putting the tenants of higher character onto the land owned by the best and most progressive landlords. This, in itself, would be a distinct gain.

Q. With respect to the progressive tax in an effort to keep down the size of holdings, is it not true that the proper size varies greatly with the type of farm?

A. Very much. Just how large a farm ought to be, probably none of us is able to say. For this reason it would be well to put the upper limit of toleration at rather a generous figure, thus letting

a man work out for himself the question of size of farms with respect, for example, to 100, 200 or 400 acres.

Q. Do you think we ought to have legislation on the subject of absentee landlords?

A. I am not sure that I know just how to define an absentee landlord. The thing we are interested in is not the exact number of miles between the owner and his farm. It is rather his attitude toward it. I have known an instance of an Englishman, living in Iowa, who kept close track of two little farms he had inherited at Staffordshire, England. As a matter of fact, he visited the farms more frequently than the owners of adjoining farms visited their properties, although they lived in London. The question of absenteeism is rather one of attitude than of distance. The development of the tenant right and the imposition of progressive tax will go to the heart of the question, whereas legislation against absenteeism, if such is likely, will fly wide of the mark.

In Wisconsin, during the past few years, we have made several tenancy studies which have brought out facts hardly anticipated by any students of the subject. For instance, it was found in a survey of Iowa County (*Research Bulletin No. 40, Merritt and Hatch*) that out of 432 rented farms, 173 were rented to people having the same surname as the owner. It is obvious that approximately half of these tenants were members of the landlord's family. In another study, (*Research Bulletin No. 34, Galpin and Hoag*), it was found that in Dane County, in a community about ten miles from Madison, the tenants were in 47 per cent of the instances, related to the owner. In still another study, not yet perfected, it was found that over 40 per cent of the tenants in Rock and Green Counties, were members of the landlord's family. Thus it appears that in nearly half of the cases, tenancy in Wisconsin is of an incidental character. That is to say, these members of the landlord's family are not in a full sense tenants. They are, it is true, operating on the basis of a tenant agreement, but the great majority of them are prospective purchasers or heirs to the estate, and when they become purchasers it is nearly always, under these circumstances, on favorable terms.

Q. How long has the land been under cultivation in Green and Rock Counties?

A. From 60 to 80 years, not much of it over 60 years.

Q. What percentage of this land was recently developed?

A. Not very much. In these sections the cultivated acreage was approximately as large fifty years ago as now. In other parts of southern Wisconsin the process of clearing land has continued up to the present time.

Q. What relation has credit to tenancy?

A. It seems to me that the relationship is very close. In the whole State of Wisconsin, credit conditions are probably as good as are to be found in any western state. This gives one reason why tenancy in Wisconsin is relatively low. Of course the type of agriculture is of equal, if not of more importance in this respect.

Q. Is any special legislation desirable in connection with the status of the second mortgage?

A. It seems to me the second mortgage should be given certain rights which it does not have. The fact that the Federal Farm Loan extends over such a long period of years requiring small payments annually makes it possible for enterprising farmers to take care of a second mortgage in the meantime.

The relation of credit to tenancy is brought out by the study above referred to which we still have in progress, in Green and Rock Counties. It was found that of the credit required in the purchase of the first farm, by the men interviewed, 83.5 per cent was furnished by relatives and retired farmers. In almost all cases, the credit furnished by retired farmers was in the nature of a loan left upon a farm purchased from them.

Is it not clear if 83.5 per cent of the money needed for these purchases made by young men can, without organization, be furnished by and within the local communities, that through some reasonable organization a very large part of all such demands could be met locally throughout the prosperous part of the United States? Even if it should fall to 50 per cent it would supplement the loans obtainable from Federal Farm Loan banks most admirably. It seems that we have not yet learned how to use our available local efforts in financing the young farmers.

Q. Do you consider that some tenancy is necessary and desirable? Could you name the percentage that would be ideal?

A. It seems to me that some tenancy is, by all means, desirable. So long as tenancy can be kept at a fairly low proportion of the farms of the community it may act as a stepping stone to ownership. It is not reasonable to expect a beginner to buy a farm. So long as we have farmers retiring from active life who still are willing to retain the ownership of their farms, why should not these farms be rented to the young men of the community?

As long as tenancy remains below 20 or 30 or possibly 40 per cent, we have no occasion for alarm. If it rises above the latter figure it is certain that, in many communities, in whole counties without doubt, tenancy is going to predominate. This is when the evils of it always come to the front. If in Illinois, the 41 per cent of tenancy reported in 1910 had been evenly distributed over the State, there would have been no great stir concerning it; but since, on the contrary, tenancy at that time rose to about 70 per cent in some counties, it was very properly viewed with alarm.

Q. A suggestion has been made that the legislature make an appropriation to the University of Illinois for some survey work. What do you think of it?

A. There is nothing you could do that would be more worth while than to bring this about. The University should be able to conduct the survey expeditiously and intelligently. I believe it would do it. What we need in this case more than anything else is information.

Q. In your survey, is it not true that the 83 per cent of funds obtained locally would pertain to those who purchased recently, rather than going back to early years?

A. Yes sir. We decided to do what we could with the appropriation we had at the time. As a consequence we confined our inquiry to the past ten years, although it is more than likely that the one question pertaining to the source of funds applied to the owners now on the land, lapping back in an occasional instance beyond the ten years. We asked the question, "What per cent of your present wealth is attributable to increase in land values?"

Q. Would they eliminate from their answer the value of actual improvements?

A. They tried to do so. That it was done to the fullest extent is improbable. The answer they gave to the question was, on an average, 36 per cent. Probably this is less than would have been the case had similar inquiry been made within the typical parts of Illinois. Land values have not risen as high in Wisconsin as in your State.

Q. Did you make any compilation to compare the rented farms to farms operated by owners?

A. We have in our schedules something that might be used in that way, but thus far no analysis has been made.

Q. In our corn belt districts we are very much interested in knowing whether rented farms are growing as much clover as other farms.

A. An answer to that question can be obtained from the 1900 census for that period. It is probably true that much less clover is being grown on the rented farms. This is a question which the proposed survey should bring out.

Q. From the standpoint of credit, have you made a study of interest rates on dairy farms and compared it with the rates on other farms in Wisconsin?

A. We have not. Nevertheless, from the studies made, it is altogether probable that little, if any, difference would be found. Wisconsin is not a great grain growing state. We have, however, found that the rate of interest varies with the security and that tobacco tenants, for example, pay a somewhat higher rate than dairy tenants. This is a partial answer to the question. The occasion for the difference is obvious. A tobacco grower frequently has very little in the way of tangible assets, whereas a dairy farmer, whether a tenant or owner, is a fixture in the community.

DISCUSSION OF FEDERAL LAND BANK.

Questions asked Mr. Danforth and answers made by him:

Q. Mr. Danforth, how long has the Federal Land Bank been running?

A. Since March 1, 1917.

Q. Thus far, in your experience in this matter, what has been your experience in the matter of getting the man started to buying his first land, that is, a man of moderate means. Is there a very large percentage of loans made to men of this class?

A. It is very difficult to tell accurately what percentage of our loans are made to men of this class, but a very rough estimate would be about 40 per cent. The greatest difficulty in arriving at an accurate estimate is due to the fact that many applications which state that the proceeds of that particular loan are to pay an existing indebtedness, show, on closer investigation or in the appraiser's report, that the indebtedness is in reality only a contract to buy land. The applicant, at the time of entering into the contract, had in mind securing the necessary money through a Federal Land Bank loan. In many other cases the indebtedness is due on land quite recently purchased in anticipation of a Federal Land Bank loan. Many landless men with limited capital have been able to purchase farms through assistance rendered by the Federal Land Bank. This has been accomplished by inducing the grantor to accept a second mortgage in payment of the balance due over and above the amount supplied by the Federal Land Bank,—the interest returns on the cash payment and second mortgage giving the grantor a much larger net return than the amount formerly received as rent. We find that quite often the local banker can arrange to place a second mortgage for the applicant.

Q. How big were the farms they bought?

A. That varies greatly in different sections of the country, and depends a great deal on the system of farming.

Q. There is a sort of general notion among a good many fellows who have been thinking about this that the Federal Land Bank loan is a very good thing to buy the second farm with, but it wouldn't reach the man with a small amount of capital who was buying his first land. Have you many applications from men who already have one farm?

A. Yes sir. Quite a number of applications come from men who already own farms, but what percentage I am unable to say. In some instances we try to discourage borrowers from buying additional land, particularly if our appraisal discloses that the applicant already has more land than he is equipped to handle properly and economically. We often find cases where applicants own, say

160 acres of land, which was purchased on credit some ten or twelve years ago, and in their anxiety to liquidate the indebtedness, the land has been allowed to run down in fertility, and the improvements in a bad state of repair. In addition to this very little, if any, effort has been made to tile or otherwise develop the property. In such cases, we recommend that the money borrowed be used in building up and developing the farm already owned in preference to using the money in the purchase of additional land.

Q. In your experience thus far in administering the affairs of the Federal Land Bank, and you are about as familiar as anyone with the agricultural conditions in Illinois, do you believe that after we get down to what we are all talking about, that the Federal Land Bank can be developed and will be developed so that it is going to meet the needs of a man without capital?

A. No. With limited capital, yes. At some later date it may appear advisable to amend the Farm Loan Act so that it would be possible to loan in excess of the present limit of 50 per cent of the appraised value of the land. In my judgment, before this can be done, however, land values should become stabilized in this country as they are in Europe. As long as speculation enters into the sale value of land, as it does at present, I would not deem it advisable to increase the 50 per cent basis.

Q. Then if land values become stabilized and get to the point where speculative value is out of it, the Federal Land Bank, properly administered, would meet the need of the man starting in to buy a farm and in time pay for it?

A. Yes sir.

Q. Do you think that a conservative policy should be followed until that time is reached, the Federal Government to loan 80 per cent to 90 per cent of the value of the land?

A. I do.

Q. There is a notion in Illinois of the advisability at this time of the State going into the Farm Loan business such as South Dakota.

A. What would be the purpose of the State going into the Farm Loan business? Would it loan money for the purpose of agricultural development, or would the idea be to make liberal loans to landless men and encourage the purchase of land on credit at the present high prices?

Q. Just a general proposition. You know the general plan of South Dakota, don't you?

A. If the plan is to loan the farmer enough money to buy these lands on credit at the present prices, it will, in my judgment, do more harm to agriculture than good. I think in the past it has been too easy to borrow money for the purpose of purchasing land, and too little money has been used for the purpose of developing agriculture.

Q. Studies that have been made of operating farms show that probably 160 acres is a small sized farm. A 160 acre farm in Illinois costs probably \$50,000. Ten thousand dollars is too small a proportion of that to be very great assistance in aspiring to owner-

ship. Is there a possibility of getting that limit raised, say to \$20,000 or \$25,000?

A. While it is true that \$10,000 is not sufficient to enable a man to buy a 160 acre farm in the Corn Belt of Illinois, I am not ready to admit that 160 acres is a small sized farm for a proper agricultural unit, and especially for the man buying his first farm on credit. A great many tenants have succeeded in accumulating five or ten thousand dollars over a period of years and have arrived at the point where they desire to become land owners. I believe these men should be encouraged in purchasing a small tract of land, say 80 acres. If they were inclined to be thrifty, and would practice intensive agriculture, it would not be long before they would be in a position to finance the purchase of another 80.

Q. Agriculture is not efficient enough. We have been letting our boys who have the most brains and most ability go to other states and into other lines of business and have been keeping on the farm boys that cannot do anything else. That is the reason agriculture is not 50 per cent efficient.

A. I think the condition described is due to the fact that too much attention has been given to legislation favoring the development of industry, and, until recently, practically no attention whatever has been given to the development of agriculture. The result has been that industry has developed and become so profitable that it has drawn from agriculture both capital and labor. This is very conclusively shown by the census returns. The only way to keep the efficient man on the farm is to make farming profitable and attractive.

Q. What we are interested in particularly is the means of helping a man who hasn't any land at all to get some.

A. That idea is very creditable, but in my judgment that man must first prove his ability to help himself. A man who is energetic and a good manager can rent a farm and in time accumulate enough money to make the first payment on a small farm. This, I believe, should be encouraged in every way possible, and all legitimate assistance should be extended to him by the Government. This is being done by the Federal Land Bank, and the benefits can be extended from time to time as the conditions justify. I believe State laws could be enacted which would help the situation considerably.

Q. Along the line of reimbursing a man for improvements put on the farm, do you think it would be possible to devise a law fitted to Illinois conditions that would provide for the reimbursement of a tenant at the expiration of his period of tenure for the better condition in which he might leave the farm?

A. Yes sir, I do.

Q. Take the Scully estate for instance. While a renter on the Scully estate probably doesn't pay more than 2 per cent of what that land would sell for, yet the annual rental pays 40 per cent to 50 per cent on that land. There is no desire to sell it or dispose of it.

A. It seems to me that some law could be enacted which would make it unprofitable to handle land in the manner in which the Scully estate is handled. This would force them to sell. I am not, however, prepared to say that tenantry is altogether bad. Many farms are

much better handled under the control of so-called absentee landlords, than they could possibly be under the control of the man who is renting the land as a tenant. This, however, does not appear to be the case in the Scully estate. There is a very great difference in the net income of different tenants. I have some who are making good money and saving it; others who have been on the same farm from 18 to 20 years and have nothing more than when they started. It would be very difficult to pass a law that would make a land owner out of the latter man. It is possible that a graduated tax based on the amount of land owned might have a tendency to reduce large holdings.

Q. What is your definition of absentee land owner?

A. That is a very hard question to answer, but I think the generally accepted definition is the land owner who resides at some distance from his land and gives little attention to its cultivation, as distinguished from the man who lives in close proximity to the land and gives the cultivation of the farm careful supervision, although he is not farming it himself.

Q. It is a pretty hard thing to frame a law. In a good many cases the farmer retires, rents his farm and takes a personal interest in his land. He does a lot of work for which he gets no direct pay. He gives his tenants, often young, the benefit of his mature judgment and experience. On the other hand, a good many men who move to the city try to get the last dollar out of the land so that the rent will support them in town.

Are you familiar with the needs in California? I believe Governor Allen contemplates doing that same thing in Kansas, buying land and selling it. Would there be any advantage in the State of Illinois doing some of that work in southern Illinois to put it on a more productive basis? It is pretty discouraging for the best farmer to build up the land out of the proceeds of the land itself. Would it be advisable for the State to buy some of that land?

A. It occurs to me that the State through the Agricultural College and the Experiment Station, in cooperation with the county agents appointed under the Smith-Lever Act, are doing good work in southern Illinois, and the Federal Land Bank of St. Louis is endeavoring to cooperate with these agencies in every way possible. I do not believe that much more could be accomplished at the present time by the State of Illinois buying this land. It is not so much a question of ownership as it is of intelligent cultivation and management. Land can be bought very cheaply in southern Illinois, and by the use of limestone these farms can be operated profitably.

Q. How much do you loan on southern land per acre?

A. I suppose you mean southern Illinois. There are several types of land in what is known as "Southern Illinois", and it varies greatly in value. The almost universal type of hardpan land, such as found, for example, in Wayne County, is worth from \$25 to \$50 an acre. In some cases where it has been well farmed and properly developed, it is worth more. In all the loans we are making in that section of the country, we are trying to encourage the applicant

in using a portion of his loan in the purchase of limestone and the erection of necessary buildings, etc.

Q. After you have done that and developed that section, the same problem of tenancy will run up in the future.

A. Yes sir. In my judgment we will always have that problem, and where you increase the returns from land, tenantry is bound to increase. Where the land is of very poor quality and the returns proportionately low, tenantry does not exist to such a large extent because the returns are not sufficient to support both landlord and tenant.

Q. Suppose you apparently are not in favor and do not see any adequate reason for any State establishing a loan system; suppose this commission brings an adverse recommendation on that proposition and suppose that after that the Supreme Court of the United States renders an adverse opinion on your case, the Federal Loan system is knocked out, might not a condition arise where it would be desirable for the states to carry on the work?

A. Yes sir. I might say here in answer to some of the former questions that one of the things that contributes considerably to the labor shortage on the farm, is the lack of accommodations for a farm hand who wants to get married. When a young farm hand arrives at that age and takes unto himself a wife, there is no further use for him on the farm. If the farmer would build a small house sufficient to accommodate his hired help and their families, we would find a great many more "A-Number 1" farm hands going back to the farm.

Q. How many loans have gone to landless men?

A. This is a question I could not answer now, but I shall try to get the information and furnish it later. I should say approximately about 40 per cent of the total loaned to buy land.

PERFECTING THE FARM LEASE.

Questions asked and statements made by Mr. Lloyd:

I would like to say, in beginning, that I regard the experiences that I might give you today as being largely the result of coming in contact with farmers first-hand in the corn belt during the past ten years. We have made a study of farm tenancy with two ideas in mind. One was to perfect the farm lease in order that we might make it pleasant and profitable for a man while he is a renter and shorten the period of tenancy that way, and the other idea was to promote farm ownership as early in life as we can. Our studies of the farm lease taught us to emphasize these two things; that the first requisite of an acceptable lease is that it shall call for a profitable type of farming and second, that it shall call for an acceptable division of returns. In speaking of the first point, if a man is tied down hand and foot with a lease so he cannot utilize his time to good advantage, he doesn't make money for himself nor for the owner of the land. So our first purpose is to determine what is a profitable type of farming for the different localities in the State in which we are working so that we can suggest to these renters and landlords the type that is most profitable, that will utilize the land and the capital and the labor to the fullest extent. We believe that is fundamental. The second feature of determining what is an acceptable lease, is perhaps best obtained by cost accounting, finding out what each furnishes and therefore what each should receive. Unless you do that you are guessing in trying to determine an acceptable basis for a division of the profits in farming.

Now I hold that those two studies are fundamental in your State in handling farm leases. I believe great improvement can result by first determining what is the most profitable farming in the different parts of the State, because the State differs, soil, market conditions, etc. are different, and the type of farming should be adjusted to those conditions.

On cheap land where the returns are meager compared with fertile land, the renter is apt to pay as high a per cent of the crops as he pays on the fertile land.

A word or two in the way of preface now to the second point, making it possible for the renter to become an owner earlier in life than is the case at the present time. In the summer of 1913 we made a study of more than 200 farms that were operated by owners. We selected these 200 farms from about 1,000 farms. These 200 men had not received any inheritance. They were on the first farms they ever owned. Our purpose was to determine the opportunities of ownership by what we might call a historical study. We found that a generation ago men bought farms when they had a net worth of

\$1,800 and they were 29 years old on an average. A generation later, or between 1910 and 1914, men bought farms when they had \$7,800 saved, or \$6,000 more than a generation before; that they were 34 years of age on an average when they became owners. That is, the age of ownership had been postponed about 5 years in the generation. The net worth of these men who had acquired land recently was high compared to the men who had acquired farms a generation ago, when we consider the number of years that each had been of a productive age, over say 21 years old. Each class had done well but ownership was gradually slipping away, although financially these renters were well off. Bear in mind, these men did not receive any inheritance and they were on the first farms they ever owned. The advance in the price of land is included but we can easily go back over the period in which these men owned land and get the advance, on the average, that took place and can, in a rough measure, perhaps determine the savings from the annual returns of farming. The point I desire to bring out is this: That this study was made in 1913 and land has increased 100 per cent in that part of Iowa since that time, that if ownership had been postponed 5 years in a generation it is quite probable that it has been postponed 5 more years since that time.

ABILITY OF RENTERS AND OWNERS.

A question was asked this morning concerning the ability of renters compared to owner-operators in farming. A comparison of the labor income of renters and owner-operators shows that renters under 30 years of age make just as high returns in farming for their labor as do owner-operators at 40 years of age. That is, renters are not becoming owners as early in life as it would be profitable to society to have them become owners. I think it is important that these renters do not lose the hope of becoming owners of farms. I believe in having renters. I think it isn't socially desirable to do away with renters, because I find that three-fourths of these men under 35 years of age who are farmers are renters and three-fourths of the men over 50 years of age are owners of land, showing that the younger men are renters and they do climb the ladder and become owners later on.

But I think we have a new situation with this rapid increase in the price of land during the past 2 decades. Now why do I say that? I think the significance of farm ownership has changed during that time; that our credit facilities have not changed to meet the situation. From 1850 to 1900 we are quite safe in saying that the increase in the price of land, say in Iowa, from \$6.09 an acre to \$43.31 an acre was pay for improvements made on the land and part pay in a form of annual returns for labor.

In Iowa we have attempted to make a little comparison which I think is about fair. Suppose two brothers owned land in 1850. One decided to sell his farm at \$6.09 an acre and work as a farm hand. He put his money out on interest at 4 per cent compounded annually. As a farm hand he would be furnished a house to live in, the living

furnished by the farm, and he would be paid wages. The man who owned the land would get pay for his labor and any additional amount would probably go into making improvements during that period from 1850 to 1900. At the end of that time the hired man would have \$43.35 for every \$6.09 he deposited at 4 per cent compounded annually, while the owner of the farm would have land valued at \$43.31. The point I desire to make is that during a long period of years the increase in the value of land that we can expect is about the same as money put out at 4 per cent compounded annually; that during the decade from 1900 to 1910 there was an increase of more than 100 per cent in the market price of an Illinois farm; that from 1910 to 1920 there was another increase of something like 100 per cent. I haven't the figures and would be glad to be corrected if wrong. Illinois land sold for about \$204 per acre as of January 1, 1920. The value of land alone does not entirely tell the story. At the same time that land has advanced in price. A profitable sized farm has increased in area so that the farm that a man wishes to buy today compared with a generation ago not only costs more per acre but the farmer desires more acres in order to take advantage of recent improvements in farming.

That leads me into a subject which I regard as fundamental. The National ideal in this country is the greatest production per man and not the greatest production per acre. We might have legislation in Illinois or in Indiana that would give each man a farm. It would be a small farm but in doing so we would sacrifice materially the amount of food that can be produced per man although temporarily we might increase the amount of food produced per acre. I hold that it is just as much to the interest of the consumer as it is to the interests of the producer to have farmers get the maximum amount of returns for their labor. In other words, our country folk are going to prosper in proportion as they can increase the production per man from one generation to another. Civilization is based on that principle, that a son shall be able to produce more than his father. With our expansive type of farming in the corn belt we are taking full advantage of that fact. The use of a tractor means that a man uses his labor more effectively. In all our tenancy legislation that must be kept in mind, that we want our farms to remain that size which will utilize man power to the fullest. I wouldn't advocate any kind of legislation which would lessen the production per man. It means that if we are going to promote farm ownership there are two ways of doing it. One is to make leases more acceptable. The other is to furnish credit to renters before they lose the hope of becoming farm owners so they can purchase land and farm for themselves. I believe that leases can be perfected so renters can be made very happy and farming can be made very profitable; that the interests of the landlord and the renter and the land or society can be protected with a good lease. On the other hand, if farm ownership is postponed so late in life that men lose the hope of becoming owners, we have an undesirable situation.

Now how are these things to be brought about? We have found in our studies that the stock share lease not only furnishes an

opportunity for more cooperation between the landlord and the renter, breaking down that antipathy which often exists between the landlord and the renter but it also furnishes the needed capital to equip and operate a farm. It is my conviction that more stock share renting in this State would greatly increase the profits in farming. Surveys made showing the relative profitableness of this method of renting lead us to conclude that the soil fertility is not only better maintained on stock share rented farms, but the early returns are greater. Now there is a limited application to this method of renting but I do think a more general use of it should be encouraged.

QUESTIONS AND ANSWERS.

Q. In saying that the returns are greater under the stock share lease can you compare that definitely? Isn't it probably true that on farms operated under that system that both the landlord and tenant are more above the average?

A. I find in our study of different methods of renting that the localities differ so much in the type of men who use different kinds of leases that we are hardly justified in making that conclusion. I cannot answer for Illinois but I feel fairly safe in making this statement, that the best type of renters in Iowa are cash renters. The ladder which they climb to ownership is often along this way, hired man; share renter, either stock share or crop share; then cash renter and then farm owner. In other words, as they acquire more experience and more capital they finally rent for cash and on those farms leases are fairly satisfactory. It is in some of the other areas where renters are not equipped with capital to stock the farm as they should that farming is more unsatisfactory. So I believe that on the whole, stock share renters are younger men than cash renters and I think not more capable.

Q. I was wondering how to encourage live stock share renting under present marketing conditions.

A. I think that the argument could be made at other times far better than right now. I believe we can make this statement, that taking an average of 10 years instead of an average of the last 2 years, that live stock farming in the corn belt is more profitable than so-called crop farming, therefore through a series of years the man on the stock farm will likely be paid for going into that kind of farming.

I think of the stock share lease in another way. The landlord retains part of the supervision of the farm. He is therefore more interested in the farm. Because he owns a half interest in the live stock he is more likely to provide funds for making adequate improvements to take care of that live stock. Inasmuch as he retains part of the supervision of the farm he feels that he is running a very small risk in taking a renter's note for the renter's share of the live stock. In this way ample credit is furnished the renter to adequately equip and operate a farm from the start. We can go from that point to the application of the principle to the ownership of land. I have asked scores of farm owners if they would be willing to sell their

farm to an honest, industrious, capable, young man who did not have a dollar to pay on the farm if that renter would permit them to retain the supervision of the farm during the early years, say the first 5 or 10 years of the ownership of that farm. I have the first man to tell me that he did not think he would be safe in selling his farm on that basis. My point in this connection is this,—that with the growth of our farmers' organizations where a County Agent has more supervision than was given to one person before, that there is a better opportunity for supervising these farms, establishing the most profitable type of farming for that particular county and inaugurating a credit system which will more fully meet these changed economic conditions than our present credit facilities are able to do; that if we increase the supervision, we largely decrease the risk. That is why these land credit systems on the continent worked out so well. That is why Dr. Hibbard's suggestion this morning regarding the amount of credit that is obtained in the local community works out so well. Those who loan the money have a large share in determining how that money shall be used.

I have a few figures here which were prepared in 1917 for a committee of which Dr. Hibbard was the chairman. There is a part of this report that I think might prove interesting to you. "Land is more fully utilized on owner-operator farms than it is on rented farms. Owners have nearly one-third more working capital per acre, such as live stock, machinery, etc. The market price of rented land is only a few dollars less than owner operated land, yet the crop yields are nearly 10 per cent lower. This is partly accounted for in that owners get between 15 per cent to 20 per cent of their total receipts from the sale of crops, while tenants get from 30 per cent to 40 per cent of their total receipts from the sale of crops. Tenants use less labor per acre and keep about four-fifths as much live stock as the man who tills his own soil and returns most of the fertility in the form of manure." Those statements come from the results of a study of more than 2,000 farms located in different parts of Iowa.

It is unreasonable to expect farm tenants to make and save more money than renters have done during the past generation, yet ownership is slipping away from them because we are not adjusted to changed economic conditions. Farm ownership in Iowa is not a matter of financial independence. It is a question of becoming an owner at the time a man is capable of managing a farm of his own. If tenants were given the opportunity to buy a farm when they are capable of ownership, farm tenancy would be reduced one-third of its present amount.

Farm tenancy has its place in agriculture, is one of the necessary rounds. But farm tenancy should be controlled so the period of tenancy will not be so long that ownership will be lost sight of and tenancy will become a permanent institution instead of a means toward ownership. A generation ago the farm hand left school at 17 years of age and without inheritance became a renter at 26 years of age. Now a farm hand leaves school at 18 years of age and without inheritance becomes a renter at 28 years of age. From 2 to 5 years of farm tenancy should enable men who have been farmers

to successfully manage a farm of their own. There are two principal reasons for postponing the age of ownership. One is, a small farm does not pay, and another is, the inflated speculative price of land which requires more savings to buy a farm.

May I say a word in regard to studies that we made in 1913, 1915 and every year since that date? Under normal conditions before the war when land was advancing rapidly in price, that is in the year 1913, the cash renter's rate was 2.3 per cent on the investment when the mortgage rate of interest was $5\frac{1}{2}$ per cent. A year later on 323 cash rented farms the per cent had fallen to 2.16 per cent. That is, before the war, landlords on the cash rental basis were getting less than half the mortgage rate of interest. The point was brought out this morning that men owned land for two principal reasons: One is the annual return from the farm; the other is the advance in the price of land. These men were anticipating the advance in price of land during these years and they had capitalized that anticipated rise. That very fact made it difficult for renters to go in debt at mortgage rates of interest to buy the land and was responsible in part for the postponing of the time when these men would become owners of farms. You increase the number of years required to make the first payment on a farm and you increase the amount of tenancy, so there is a direct relation between the increase of tenancy and the postponing of the age of ownership. I think we face a novel situation at this time. Renters on the cash basis have made big money during the past 5 years. Landlords who have received a crop rent have made big money during the war period. The last 2 years have materially reduced the returns in both cases. During this period there has been a rapid increase in the price of land. What is likely to happen in the immediate future? Nobody knows. It is probable, however, that land will not advance in price as it has done during the past 2 decades. Landlords are going to look more and more to the rent as the entire pay they get for owning land with a probability of some decline in the price level. Renters will find it increasingly difficult to pay their rent. About the only remedy that I see that will help the situation immediately is to increase the efficiency in farming. Make this labor go just a little farther than it has gone before. We can do this by determining the most profitable type of farming for the different parts of this State. I think your agricultural college is able to give some excellent help in that respect.

Q. Would you make any comparisons as to the relation of the price of farm products and the increase of land during the period of 1910-1914 and from 1914 on? What, in your opinion, is the chance of a young man buying a farm compared to, say 1900?

A. A comparison of the increase in the price of land now and of farm products with a pre-war average from 1910-1914 shows that in Iowa there was a little larger increase in the price of land than there was in the price of farm products. I think the fact that land had never gone down in price largely controlled buyers in thinking that land could not be bought cheaper and men were anxious to buy before the price went higher; that the high price of hogs and corn

following the signing of the armistice when farmers had thought that prices would immediately drop, was another feature that was important. When hogs were selling from 20 cents to 25 cents farmers had an idea that land could be capitalized with hogs selling at least 12 cents and corn at a dollar. Many made the remark that corn would never be sold at a dollar again, that hogs would never go below 10 cents again. Many were carried off their feet with newspaper propaganda. The causes, that I do think were largely responsible were the psychology of land values, the high prices at which corn and hogs were selling, and the farmers were surprised that prices were high. They thought they would immediately fall after the signing of the armistice. We were surprised to note that speculation in Iowa almost closed over night with the falling of the price of hogs. There was considerable less activity in exchange of farms. The surprising feature of the recent so-called land boom was the immediate effect it had on farm ownership. Data showed that there were more farmers who bought land to operate the land than sold land, meaning that for the time being, farm ownership had increased. We must bear this in mind, however, that most of this land was sold, possession being given the following March first, that heavy payments were to begin later. Whether those men will be able to pay out on those farms and retain that ownership is another question.

I would like to say a word about tenant right. Eight years ago I began a study of farm tenancy in Iowa with the thought that tenants were playing havoc with the farming interests of that State. I was surprised to learn that tenant conditions were far more satisfactory than I had anticipated; that one of the needs at that time was to protect the honest landlord and the honest tenant from the dishonest tenants and landlords; that there was considerable drainage taking place in the State; that renters were very anxious to get the farm tiled to increase the yields; that landlords had no difficulty in getting the tile hauled and the ditches filled in free if the landlord would furnish the tile to put them in; that these renters had no protection against the landlord raising the rent to cover the value of the improvement which the renter's labor represented. Instead of that renter remaining on the farm to get the value of his labor in increased yields, the rent would be boosted up, the renter disgusted would leave the farm with the idea that he try to exploit every farm that he could to get even with what he had lost. Landlords who had spent money to equip a farm with good buildings, had spent a lifetime in building up the farm and had retired when they had gotten the land in good shape, had tenants come onto their farms and extract every cent they could from the land and the landlords had no recourse. We found that a compensation law which would bind the outgoing tenant to the extent that the incoming tenant is benefited would protect all parties concerned, including the land; that it would encourage improvements not only on the part of the landlord but also the renter, if they had an assurance that the improvements they made would be taken care of and each would be compensated for the improvement that he made; that it is just as important to protect the

landlord as it is to protect the renter; that there should be an indemnity clause; that a landlord who rents his farm, say a \$40,000 farm, should have some assurance that he will get back the principal with interest. A banker would not think of making a loan without good security. On the other hand, a landlord is justified in expecting some security for the use of his capital.

Q. Did they ever get any legislation in Iowa along those suggested lines?

A. They are ready for some legislation there now. That is, public opinion is rapidly developing toward some tenancy legislation. I have received letters for many years from interested tenants, landlords and bankers, suggesting legislation much as I have outlined it, but nothing has been done so far.

Q. Is there any state in the United States that has any legislation along this line of compensating the tenant for improvements?

A. I think no state has passed such legislation. It is interesting to note in passing that this compensation law, this tenant right law in England, had its suggestion from the working out of the principle in actual practice before the legislation came. That is, that they found typical cases where the compensation law was really in effect before the legislation was passed; that while the suggestion was mentioned as early as 1850, that the law was not passed until 1875. It was not until 1883 and then as amended in 1900 that they perfected a law that is very satisfactory.

Q. Is this compensation law a matter for Federal legislation rather than State legislation?

A. It is I believe, entirely within the province of State legislation. I believe that a compensation law in Illinois would make renting land more desirable to renters. I believe it would make the ownership of land more desirable for owners. I believe the assurance on the part of either landlord or renter that he would get compensation for improvements made would have this effect, that a farm would be worth more to the renter and would be worth more to the land owner.

Q. You heard what Dr. Hibbard said in regard to progressive taxation. Have you any ideas along that line?

A. That is as good a method as I know to check speculation. I feel that we have a much more difficult problem in our country than the old countries had. We are still a new country, where land is to be had farther north and farther west. There are more opportunities here for investment. Our farming is not stabilized as it is in the older countries. We can expect exchanges of farms. We can expect some land speculation and for that reason the problem is harder to solve than in the older countries where farms rarely exchange hands.

Q. A suggestion one young farmer made at one of our meetings was that there be a transfer tax on land; for instance, if a man bought a farm and sold it within a month to discourage the rapid transfer of land for speculative purposes.

A. I think there is some economic merit in that suggestion. I don't know that that is being tried out anywhere.

Q. I don't know of its being tried out anywhere but there is no objection to trying it. A transfer tax might be tried in a very mild form. A man buying land for any legitimate reason, intending to keep it at least one year, raise one crop, need not be taxed. If he doesn't intend to keep it one year there might be a transfer tax placed on land resold within a year and none after that, which would be a very mild sort of a law and at the same time have a little effect in discouraging speculation.

A. I have had many farms called to my attention where they have changed hands as many times as 5 during one year. One farm that the same man stayed on sold the first time at \$65 and the fifth time it sold for \$135. The contract was not interfered with at all. The man went right on renting but the farm exchanged hands 5 times.

Q. Cases of that kind are very common during a land boom. I rather think that a transfer tax operated on quick transfers would discourage quite materially the kind of a land boom we had a year ago.

A. I think it would. We found in our studies in Iowa that the newspapers heralded these big advances in the price of certain farms and advertised these farms that were sold more than twice but something like 68 per cent of the farms which were sold exchanged hands but once in Iowa last year.

Q. Do you know of any state that has laws regulating real estate agencies, the amount of commission they can charge, or any other similar legislation?

A. California regulates real estate agencies and Oklahoma has provided for a graduated tax on land holdings in excess of 640 acres, and also upon the income, rents and profits of lands held by lease in excess of 640 acres.

In time we are going to regard these farms as homes, not places to make enough so farmers can retire, but places to live after the farm is placed in a condition where it will make money. I found this to be true in our studies, that most men just get a farm in good shape to make money when they retire, leave it, and go to town. It has been the one desire of their lives to get that farm looking well, good buildings, land in good shape and well stocked, and once they get it there they are ready to retire. They haven't enjoyed life very much as they went along and they think they want to leave the farm.

I like to put that proposition up to the landlord and the renter in the same way. When we began our studies in 1912 we collected data on rented farms in every part of the State of Iowa. Renters and landlords would often ask me this question, "You say you are here to benefit both of us? You can't do that. You can't help both of us. There is only one that can be helped." My reply was, "I think I can help both of you. Your interests are mutual. Perhaps you are following a penny policy instead of a dollar policy". I remember one particular case where a landlord was very systematic. He believed in making a contract that looked consistent. He had a good

stock share renter on his farm. The landlord returned half of all that was produced, half of all the eggs produced and half of all chickens sold. The renter, on the other hand, had been told by his wife that she had been taking care of the poultry and inasmuch as she was doing all the work she ought to get all the returns from poultry. The landlord insisted on getting half of all eggs produced. The renter moved away. They were working on a penny policy. Here were the conditions. It happened to be very good land, a large farm, and an excellent opportunity to make money. A large share of the land was in pasture which required very little labor on the part of the renter, which you might say he was getting almost free. That added advantage meant dollars to him where the half of the eggs meant cents to the landlord. It is getting at some of those big things in a lease that is important.

Q. Do you think there is anything in the way of lease provisions that could be the subject of legislation, aside from compensation?

A. I would treat it as a matter of education.

Q. It would be pretty hard to handle in a legislative way?

A. I think it would. I do believe that education is very important but I don't see how legislation would help it.

If it were possible the notice given renters, should be extended. I believe in justice to the renter that 6 months' notice should be given in case he is to move.

UNIVERSITY OF ILLINOIS-URBANA



3 0112 042421906